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Livestock and Products

Semi Annual

2009

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Report Highlights:
Red meat consumption is forecast to decline in 2009 as middle and lower income consumers are expected to replace consumption of red meat for cheaper processed meat and other protein sources. Despite the reduction in consumption, 2009 red meat production is not expected to decline dramatically. However, 2009 red meat imports from the U.S. are forecast to decline in large part to the fall in the value of the peso relative to the U.S. dollar.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Mexico City [MX1]
[MX]

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SECTION I. SITUATION AND OUTLOOK

Executive Summary

Live Cattle and Beef: The current economic crisis, leading to a reduction in family income, is expected to lower beef consumption. The estimate for beef imports for 2009 was revised downward due in large part to the increased price of imported meat caused by the higher exchange rate. Despite the contraction in beef consumption, cattle inventories and production for 2009 were revised upward from the previous estimate as a consequence of expected lower cattle exports to the United States. Slaughter figures for 2009 were revised downward also reflecting lower consumption and the increase in beef prices. However, slaughter figures for 2008 were revised upward due to the government subsidies given to TIF establishments during the year.

Live Hogs and Pork: Swine meat production for 2009 is forecast to remain at the same level as both in 2008 and 2007. Although the economic crisis is expected to lower pork consumption, the reduction of pork imports for 2009 is expected to be moderate because the processing industry will continue importing cheaper raw material that allows them to produce cheaper processed meat. Mexico's imports of U.S. hogs are forecast to reach 75,000 head in 2009, slightly lower than in 2008, due to increased cost of crossing for higher exchange rate and larger distances. Domestic slaughter figures for 2009 were revised down from the previous estimate and are now expected to remain almost at the same level for 2008. In addition, total hog ending inventories for 2009 will registered 8.2 million head (7.3 percent lower than the revised 2008 figure) as a consequence of producers ceasing activities.

Data included in this report are not official USDA data. Official USDA data are available at http://www.fas.usda.gov/psdonlineonline

SECTION II. STATISTICAL TABLES

Table 1. Mexico: PSD Animal Numbers, Cattle Table

PSD Table									
Country: Mexico									
Commodity: Animal Numbers, Cattle						(1000 head)			
	2007 Revised			2008 Estimated			2009 Forecast		
	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New
Market Year Begin	Jan-07			Jan-08			Jan-09		
Total Cattle Beg. Stocks	26,644	26,644	26,644	26,725	26,519	26,725	27,094		27,132
Dairy Cows Beg. Stocks	2,331	2,200	2,248	2,401	2,200	2,270	2,473		2,260
Beef Cows Beg. Stocks	11,323	11,800	11,350	11,323	11,900	11,400	11,548		11,400
Production (Calf Crop)	8,200	8,200	8,200	8,350	8,350	8,235	8,500		8,550
Intra-EU Imports	0	0	0	0	0	0	0		0
Other Imports	81	100	81	144	95	96	144		82
Total Imports	81	100	81	144	95	96	144		82
Total Supply	34,925	34,944	34,925	35,219	34,964	35,056	35,738		35,764
Intra EU Exports	0	0	0	0	0	0	0		0
Other Exports	1,089	1,300	1,089	871	1,200	664	1,000		750
Total Exports	1,089	1,300	1,089	871	1,200	664	1,000		750
Cow Slaughter	1,700	1,700	1,700	1,735	1,700	1,751	1,769		1,768
Calf Slaughter	1,500	1,500	1,500	1,530	1,500	1,549	1,561		1,564
Other Slaughter	3,400	3,400	3,400	3,469	3,500	3,435	3,538		3,468
Total Slaughter	6,600	6,600	6,600	6,734	6,700	6,735	6,868		6,800
Loss	511	525	511	520	525	525	531		465
Ending Inventories	26,725	26,519	26,725	27,094	26,539	27,132	27,339		27,749
Total Distribution	34,925	34,944	34,925	35,219	34,964	35,056	35,738		35,764

Table 2. Mexico: PSD Meat, Beef and Veal Table

PSD Table									
Country: Mexico									
Commodity: Meat, Beef and Veal						**(1000 head) (1000 MT CWE)**			
	2007 Revised			**2008 Estimated**			**2009 Forecast**		
	USDA official	**Post Estimate**	**Post Estimate New**	**USDA official**	**Post Estimate**	**Post Estimate New**	**USDA official**	**Post Estimate**	**Post Estimate New**
Market Year Begin	**Jan-07**			**Jan-08**			**Jan-09**		
Slaughter (Reference)	6,600	6,600	6,600	6,734	6,700	6,735	6,868		6,800
Beginning Stocks	0	0	0	0		0	0		0
Production	2,202	2,200	2,207	2,253		2,250	2,293		2,250
Intra-EU Imports	0	0	0	0		0	0		0
Other Imports	403	375	403	440		405	435		330
Total Imports	403	375	403	440		405	435		330
Total Supply	2,605	2,575	2,610	2,693		2,655	2,728		2,580
Intra EU Exports	0	0	0	0		0	0		0
Other Exports	42	40	42	42		42	43		42
Total Exports	42	40	42	42		42	43		42
Human Dom. Consumption	2,563	2,515	2,552	2,651		2,597	2,685		2,524
Other Use, Losses	0	20	16	0		16	0		14
Total Dom. Consumption	2,563	2,535	2,568	2,651		2,613	2,685		2,538
Ending Stocks	0	0	0	0		0	0		0
Total Distribution	2,605	2,575	2,610	2,693		2,655	2,728		2,580

Table 3. Mexico: PSD Animal Numbers, Swine Table

PSD Table									
Country: Mexico									
Commodity Animal Numbers, Swine							(1000 head)		
	2007 Revised			2008 Estimated			2009 Forecast		
	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New
Market Year Begin	Jan-07			Jan-08			Jan-09		
Total Beginning Stocks	10,250	10,250	10,250	10,134	10,410	9,561	9,365		8,849
Sow Beginning Stocks	925	955	917	925	960	915	940		915
Production (Pig Crop)	15,265	15,800	14,697	15,295	15,900	14,659	15,600		14,672
Intra-EU Imports	0	0	0	0	0	0	0		0
Other Imports	136	175	136	225	175	86	225		75
Total Imports	136	175	136	225	175	86	225		75
Total Supply	25,651	26,225	25,083	25,654	26,485	24,306	25,190		23,596
Intra EU Exports	0	0	0	0	0	0	0		0
Other Exports	0	0	0	0	0	0	0		0
Total Exports	0	0	0	0	0	0	0		0
Sow Slaughter	15	15	15	18	15	15	18		18
Other Slaughter	14,632	14,825	14,669	15,421	14,835	14,635	15,382		14,642
Total Slaughter	14,647	14,840	14,684	15,439	14,850	14,650	15,400		14,660
Loss	870	975	838	850	975	807	850		735
Ending Inventories	10,134	10,410	9,561	9,365	10,660	8,849	8,940		8,201
Total Distribution	25,651	26,225	25,083	25,654	26,485	24,306	25,190		23,596

Table 4. Mexico: PSD Meat, Swine Table

PSD Table									
Country: Mexico									
Commodity: Meat, Swine									(1000 head) (1000 MT CWE)
	2007 Revised			2008 Estimated			2009 Forecast		
	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New	USDA official	Post Estimate	Post Estimate New
Market Year Begin	Jan-07			Jan-08			Jan-09		
Slaughter (Reference)	14,647	14,840	14,684	15,439	14,850	14,650	15,400		14,660
Beginning Stocks	0	0	0	0	0	0	0		0
Production	1,150	1,190	1,152	1,142	1,250	1,149	1,170		1,150
Intra-EU Imports	0	0	0	0	0	0	0		0
Other Imports	451	460	451	540	430	518	530		450
Total Imports	451	460	451	540	430	518	530		450
Total Supply	1,601	1,650	1,603	1,682	1,680	1,667	1,700		1,600
Intra EU Exports	0	0	0	0	0	0	0		0
Other Exports	80	70	80	85	80	89	90		95
Total Exports	80	70	80	85	80	89	90		95
Human Dom. Consumption	1,521	1,580	1,523	1,597	1,600	1,578	1,610		1,505
Other Use, Losses	0	0	0	0	0	0	0		0
Total Dom. Consumption	1,521	1,580	1,523	1,597	1,600	1,578	1,610		1,505
Ending Stocks	0	0	0	0	0	0	0		0
Total Distribution	1,601	1,650	1,603	1,682	1,680	1,667	1,700		1,600

Table 5. Mexico: Annual Cattle Trade 2006-2007 and January-November 2007-2008, In Thousand Head

Exports to:	2006	2007	Jan-Nov 2007	Jan-Nov 2008	Import from:	2006	2007	Jan-Nov 2007	Jan-Nov 2008
United States	1,570.28	1,088.77	982.18	608.00	United States	0.88	10.63	7.52	29.31
Total of others	0.30	0.52	0.043	0.10	Total of others	69.03	69.96	69.96	59.41
Belize	0.08	0.27	0.26	0.07	Nicaragua	30.34	32.95	32.95	31.20
Nicaragua	0.00	0.18	0.12	0.00	New Zealand	25.12	18.73	18.73	11.15
Micronesia	0.22	0.03	0.00	0.03	Australia	11.29	18.28	18.28	13.56
Peru	0.00	0.03	0.03	0.00	Canada	0.00	0.00	0.00	3.50
Honduras	0.00	0.02	0.02	0.00	Costa Rica	2.08	0.00	0.00	0.00
Others not listed	0.09	0.00	0.02	0.04	Others not listed	0.01	0.00	0.00	0.01
Total	**1,570.67**	**1,089.29**	**982.63**	**608.14**	**Total**	**69.91**	**80.60**	**77.48**	**88.73**

Table 6. Mexico: Annual Beef and Veal Trade 2006-2007 and January-November 2007-2008, In Metric Tons

Exports to:	2006	2007	Jan-Nov 2007	Jan-Nov 2008	Import from:	2006	2007	Jan-Nov 2007	Jan-Nov 2008
United States	16,333	16,409	15,194	13,385	United States	224,971	233,335	215,310	228,242
Total of other	11,618	13,774	12,539	13,725	Total of other	45,326	50,537	47,203	38,588
Japan	5,092	7,299	6,646	9,099	Canada	33,823	37,572	34,526	35,034
Korea, South	3,909	3,199	2,808	3,050	Chile	3,509	2,282	2,146	677
Puerto Rico (U.S.)	1,855	2,535	2,437	840	New Zealand	4,903	2,278	2,668	970
Costa Rica	673	687	594	736	Australia	2,642	2,930	2,726	922
Dominican Republic	89	54	54	0	Uruguay	449	5,475	5,137	985
Others not listed	0	81	81	20	Others not listed	3.305	4,059	3,265	3,160
Total	**27,951**	**30,264**	**27,814**	**27,130**	**Total**	**273,602**	**287,931**	**265,778**	**269,990**

Including 0201, 0202, 021020 & 160250

Table 7. Mexico: Annual Swine Trade 2006-2007 and January-November 2007-2008, In Thousand Head

Exports to:	2006	2007	Jan-Nov 2007	Jan-Nov 2008	Import from:	2006	2007	Jan-Nov 2007	Jan-Nov 2008
United States	0	0	0	0	United States	176.373	126.646	115,490	74,663
Total of others	0	0	0	0	Total of others	20.018	9.508	9,425	4,358
	0	0	0	0	Canada	20.016	9.506	9,423	4,358
	0	0	0	0	French Guiana	0.000	0.002	0.002	0.000
	0	0	0	0	Guyana	0.002	0.000	0.000	0.000
Others not listed	0	0	0	0	Others not listed	0.000	0.000	0.000	0.000
Total	**0**	**0**	**0**	**0**	**Total**	**196.391**	**136.154**	**124,915**	**79,021**

Table 8. Mexico: Annual Swine Meat Trade 2006-2007 and January-November 2007-2008, In Metric Tons

Exports to:	2006	2007	Jan-Nov 2007	Jan-Nov 2008	Import from:	2006	2007	Jan-Nov 2007	Jan-Nov 2008
United States	8,118	7,868	7,265	5,399	United States	311,825	312,252	277,061	340,079
Total of others	41,882	53,515	48,707	56,630	Total of others	30,667	34,020	30,826	24,631
Japan	40,405	51,694	47,059	55,433	Canada	26,339	31,335	28,225	22,725
Korea, South	1,477	1,801	1,628	1,197	Chile	4,328	2,685	2,601	1,891
Aruba	0	20	20	0	New Zealand	0	0	0	15
Russia	0	0	0	0					
Korea, North	0	0	0	0					
Others not listed	495	490	461	793	Others not listed	489	363	327	578
Total	**50,495**	**61,873**	**56,433**	**62,822**	**Total**	**342,981**	**346,635**	**308,214**	**365,288**

Including 020311, 020312, 020319, 020321, 020322, 020329, 021011, 021012, 021019, 160241, 160242 & 160249
Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition
Figures for meat are in product weight equivalent (PWE)
Due to different sources quantities vary slightly from those in PSD tables.

Table 9. Mexico: Grass Fed Live Steer Average Monthly Wholesale Prices in Mexico City 2007-2009

(US$/Lb)

Month	2007	2008	2009	% change 07 to 08	% Change 08 to 09
January	0.895	0.957	0.879	6.9	(8.15)
February	0.906	0.992	0.726	9.5	(26.81)
March	0.910	0.996	N/A	9.5	N/A
April	0.911	1.020	N/A	12.0	N/A
May	0.896	1.027	N/A	14.6	N/A
June	0.833	1.087	N/A	30.5	N/A
July	0.833	1.114	N/A	33.7	N/A
August	0.905	1.034	N/A	14.25	N/A
September	0.929	1.071	N/A	15.28	N/A
October	0.937	0.904	N/A	(3.52)	N/A
November	0.931	0.890	N/A	(4.40)	N/A
December	0.945	0.893	N/A	(5.50)	N/A

Source: National Market Information Service (SNIIM)
N/A: Not available

Table 10. Mexico: Beef Carcass Average Monthly Wholesale Prices in Mexico City 2007-2009

(US$/Lb)

Month	2007	2008	2009	% Change 07 to 08	% Change 08 to 09
January	1.36	1.38	1.24	1.5	(10.14)
February	1.32	1.39	1.15	5.3	(16.66)
March	1.33	1.39	N/A	4.5	N/A
April	1.34	1.41	N/A	5.2	N/A
May	1.35	1.45	N/A	7.4	N/A
June	1.35	1.46	N/A	8.1	N/A
July	1.36	1.49	N/A	9.6	N/A
August	1.34	1.51	N/A	12.7	N/A
September	1.34	1.45	N/A	8.2	N/A
October	1.35	1.22	N/A	(9.6)	N/A
November	1.36	1.19	N/A	(12.5)	N/A
December	1.34	1.19	N/A	(11.2)	N/A

Source: National Market Information Service (SNIIM)
N/A: Not available

Table 11. Mexico: Finished Live Hog Average Monthly Wholesale Prices in Mexico City 2007-2009

(US$/Lb)

Month	2007	2008	2009	% Change 07 to 08	% Change 08 to 09
January	0.579	0.650	0.671	12.3	3.23
February	0.579	0.623	0.612	7.6	(1.76)
March	0.575	0.616	N/A	0.2	N/A
April	0.546	0.636	N/A	16.5	N/A
May	0.534	0.702	N/A	31.5	N/A
June	0.579	0.821	N/A	41.8	N/A
July	0.627	0.903	N/A	44.0	N/A
August	0.662	0.868	N/A	31.1	N/A
September	0.664	0.780	N/A	17.5	N/A
October	0.650	0.630	N/A	(3.1)	N/A
November	0.609	0.634	N/A	4.1	N/A
December	0.619	0.666	N/A	7.6	N/A

Source: National Market Information Service (SNIIM)
N/A: Not available

Table 12. Mexico: Pork Carcass Average Monthly Wholesale Prices in Mexico City 2007-2009

(US$/Lb)

Month	2007	2008	2009	% Change 07 to 08	% Change 08 to 09
January	0.679	0.925	0.948	0.1	2.48
February	0.670	0.938	0.857	40.0	(8.63)
March	0.650	0.951	N/A	46.3	N/A
April	0.642	0.949	N/A	47.8	N/A
May	0.616	0.988	N/A	60.4	N/A
June	0.596	0.977	N/A	63.9	N/A
July	0.627	1.220	N/A	94.6	N/A
August	0.851	1.167	N/A	37.1	N/A
September	0.872	1.069	N/A	22.6	N/A
October	0.893	0.939	N/A	5.2	N/A
November	0.903	0.901	N/A	(0.2)	N/A
December	0.945	0.931	N/A	(1.5)	N/A

Source: National Market Information Service (SNIIM)
N/A: Not available

Table 13. Mexico: Average Monthly Exchange Rate 2007-2009 (pesos per dollar)

	2007	2008	2009
January	10.94	10.91	13.15
February	10.99	10.76	14.55
March	11.12	10.73	14.71
April	10.98	10.51	N/A
May	10.82	10.44	N/A
June	10.83	10.33	N/A
July	10.80	10.24	N/A
August	11.04	10.10	N/A
September	11.03	10.61	N/A
October	10.83	12.56	N/A
November	10.87	13.08	N/A
December	10.84	13.40	N/A
Annual Avg.	**10.92**	**11.14**	**N/A**

Source: Mexican Federal Register
Note: Monthly rates are averages of daily exchange rates from the Banco de Mexico.

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY AND MARKETING

Production

Bovine/Beef

Cattle production for 2009 was revised slightly upward due to the producer's expectations of greater live animal exports to the U.S. and increased opportunities to export beef to Asian markets, both as a result of the devaluation of the peso. The 2008 cattle production forecast has been revised downward from the previous estimate, though it is still about 0.4 percent higher than the 2007 level. The change reflects the higher cost of production due to the increased cost of feed grains.

The 2009 beginning stocks estimates for dairy and beef cows were revised downward following the release of official data from the Secretary of Agricultures statistical service (SIAP[1]). At the same time, data for 2008 and 2007 were revised, dairy cow stocks upward, and beef cows stocks downward, also in accordance with SIAP estimations.

The 2009 total cattle inventories have been revised upward as a result of lower cattle exports and a reduction of beef consumption despite lower cattle imports. The 2008 cattle inventory number was revised upward according to official data.

Beef production for 2009 was revised downward, reflecting expected decline in consumer demand resulting from the economic downturn. On the other hand, beef production was adjusted slightly downward for 2008 and upward for 2007 to match official data.

In spite of a one-percent increase in slaughtering for 2009, the beef production estimate is forecast at the same level as the revised 2008 production figures due to lower carcass weights at slaughter as a consequence of feeding animals using cheaper feed and more grazing due to higher feed grain prices.

[1] SIAP: Food and Fishery Information Services (Servicio de Información Agroalimentaria y Pesquera)

If the international price of grains fall and/or the peso begins to strengthen, greater production of red meat for the second semester of 2009 could be observed. However, the recovery of red meat consumption in Mexico will be slower.

The industry has many investment projects to open new plants and facilities to process meat, expanding production capacity. However, the current economic instability is forcing a review of these kinds of projects in order to maintain only those projects that are viable in the short term.

Porcine / Pork

Swine production estimates were adjusted according to Mexican official data for the past three years. For all years, production was revised lower from the previous estimate. Year-on-year, these new estimates show a slight reduction in production from 2007 to 2008, and almost the same level of production for 2008 and 2009.

Beginning stocks were revised downward for both 2009 and 2008 due to a number of factors. First, import estimates have been revised lower due to both a lack of border inspection points and a higher peso-dollar exchange rate. Second, higher-than-expected animal slaughter for 2009 is now expected as a consequence of producers liquidated their inventories. In addition, the Mexican pork industry is in the process of integrating. Because of higher grain prices and overall production costs starting in 2007, many small producers have withdrawn from the sector making mid-sized and large producers a greater portion of the industry. With this increased market share, competition has developed among the larger producers, making them more efficient not only seeking innovation in products, packaging, and services, but lowering losses.

Pork meat production previous estimated for 2009, 2008 and 2007 were reviewed according to Mexican official data reflecting adjusted production decision made by producer due to lower domestic consumption. In order to better weather changes in prices and consumption, Mexican pork producers are looking for increased financing options, particularly in dealing with feed costs which represent about 50 percent of total production costs.

Consumption

Bovine / Beef

The 2009 beef consumption estimate was revised downward reflecting an estimated reduction in consumption of 3 percent less than the new estimate for 2008 (also revised downward). The economic slowdown; the increase of beef prices, particularly imported cuts due to the exchange rate; the reduction of family income ; and the higher substitutability of beef meat are all factors in the reduction in beef consumption.

Porcine / Pork

The pork consumption estimates for 2009, 2008 and 2007 were revised downward to align with official data. Year-to-year comparisons now show consumption for 2009 4.6 percent lower than the level registered in 2008 as a result of the economic crisis that is forcing consumers to select other protein sources. Despite the new lower numbers, an increase of 3.6 percent was registered for 2008 compared with 2007.

Trade

In general, the importation of red meat to Mexico has been declining since December 2008 due to the international economic slowdown that not only is affected by the exchange rate, but also is reducing the consumption of red meat (principally higher-priced beef cuts). On the other hand, SAGARPA data shows that Mexican red meat exports to Japan are growing, helped in part by the devaluation of the peso.

Bovine / Beef

The 2009 beef import estimate was revised lower and is now expected to show a decline of between 15 and 20 percent from 2008. The principal causes are more expensive importation due to the dollar-peso exchange rate and decreased demand due to the sluggish economy. The 2008 import estimate was also revised downward reflecting the devaluation of the peso in the last quarter of the year.

As of the date of publication, the following beef products are still prohibited from entering Mexico from the United States due to the finding of BSE in a U.S. cow in December of 200389.

Prohibited products:
Live cattle for slaughter
Boneless and bone-in meat from cattle 30 months of age or older
Bovine offal and viscera other than those currently authorized
Products derived from non-protein-free tallow
Gelatin and collagen prepared from bone
Ruminant meal
Ground beef

Permitted products:
Breeding cattle less than 30 months of age
Dairy Cattle
Tallow (human consumption)
Blood (human consumption)
Breeding bulls
Bone-in meat from cattle under 30 months of age
Boneless beef from cattle under 30 months of age
Marinated boneless beef from cattle under 30 months of age
Beef based preparations, beef/pork based preparations, beef/sheep based preparations and beef/pork/poultry based preparations
Veal boneless or bone-in
Hearts, kidneys, tongue and lips from cattle under 30 months of age
Diaphragm and trimmings from cattle under 30 months of age
Tripe from cattle under 30 months of age
Meat, carcasses, viscera, and heads from sheep under 12 months of age
Meat, carcasses, and viscera from goats under 12 months of age
Liver
Milk
Dairy products
Semen
Embryos
Protein-free tallow not fit for animal consumption
Dicalcium phosphate (DCP)

Skins and hides
Gelatin and collagen obtained from hides and skins
Pet Food (see MX4040 for more details)
Sausage made from beef and pork with or without cheese
Live sheep for immediate slaughter

Cattle export estimates for both 2009 and 2008 were revised downward, with the principal causes of these reductions being lower demand by U.S consumers and lower export prices for Mexican cattle, in part, due to uncertainty over the long-term impact of new country of origin labeling rules on consumption patterns in the United States. Cattle export estimate for 2007 was revised downward reflecting Mexican official data.

Porcine / Pork

The pork import estimate for 2009 was revised downward, reflecting the high cost of transport to cross at authorized inspection points, and the relatively high cost of U.S. pork due to the change in the exchange rate. However, in spite of the fact of these constraints, the domestic supply of pork is not sufficient and the processing industry will continue importing cheaper raw material that allows them to produce cheaper processed meat. Import estimates for 2007 and 2008 pork were revised to reflect official data.

The 2009 pork export forecast has been revised upward. The pork producers are working hard to increase their exportation to new foreign markets, primarily, Russia and China, and they are taking the advantage of the peso devaluation to increase market share. The Japanese market is extremely demanding, but pays higher prices, so the Mexican pork producers need to be more efficient to meet the growing demand. Another important project is to continue opening new markets for Mexican pork meat exportation, such as Russia and China. According to the Pork Industry data the cost of transforming the industry to produce that which the foreign markets demand is about 800 million pesos (US$57 million dollars) for building new slaughterhouses and to expand current installations that fully meet international standards for breeding, slaughtering, refrigeration and export packaging.

Export estimates for 2008 and 2007 were revised upward reflecting official data.

Policy

The SAGARPA budget has approved funds for various livestock and livestock industry activities for 2009. The main objectives are to subsidize slaughter in federal inspected establishments (TIF) of each head of beef and pork in order to promote the sacrifice in perfect health conditions; subsidize feed grains at competitive prices, and provide subsidies to livestock producers that work under GOM recognized contracts, in order to help the producer obtain a greater level of income.

Specific budgetary outlays for the livestock sector are as follows:

Livestock feeding	200.00 million pesos
Fund for risk management of livestock prices[2]	500.00 million pesos
Livestock Program (PROGAN)	4,200.00 million pesos
Beef	
Slaughtering at TIF establishments	0.47 million pesos

[2] That will be worked by Agroasemex (insurance company) and the detail will be defined by SAGARPA

PROGAN	2.00 million pesos
Other programs	1.44 million pesos
Swine	
Slaughtering at TIF establishments	0.48 million pesos
Fund for stabilizing the commercializing of swine	0.30 million pesos
Others	0.28 million pesos
Milk Production	
Fund for stabilizing the commercializing milk	0.40 million pesos
PROGAN milk	0.20 million pesos
Program for milk feeding	0.30 million pesos
Other programs (milk)	0.88 million pesos
Poultry Meat	0.10 million pesos
Eggs	0.01 million pesos
Infrastructure for TIF establishments	0.30 million pesos

A number of other policy issues have affected trade in livestock and products between the U.S. and Mexico.

In November 2008, SAGARPA began to approve new U.S establishment to export red meat to Mexico, the outstanding requests from USDA/FSIS dated as far back as May 2007. The initial approvals installed export authority for 109 new U.S establishments producing a variety of red meat and poultry products.

In addition, the GOM's enforcement of the official regulation NOM-030-Z00-1995 "Specifications and Procedures for the Inspection of Imported Meat, Carcasses, Viscera and Offal at Animal Health Inspection Points" and the Animal Health law led to SAGARPA revoking the eligibility to export product to Mexico for 30 U.S establishments due to multiple port of entry violations. All plants, wishing to export to Mexico, have had their eligibility re-instated after USDA provided proof that the required corrective actions were taken in the establishments.

The Animal Health area of SAGARPA announced on January 29, 2008 that the importation of frozen meat and frozen meat products in "combos" would be prohibited. In addition, on February 12, 2009, SAGARPA announced that new inspection procedures for products shipped in "combos" would be in place as of April 20, 2009. These new procedures are part of a plan to modernization and harmonization international procedures with NAFTA partners.

In December 2008, Mexico requested consultations though the World Trade Organization to discuss U.S Country of Origin Labeling regulations (also known as COOL legislation) that require U.S. retailers to label meat products with the country of origin. Mexican beef producers are concerned that the regulation could have a negative affect on Mexican cattle exports to the United States.

On January 30, 2009 the *Diario Oficial* (Federal Register) declared that the States of Chiapas, Oaxaca and Tabasco are free of classical swine fever (CSF), with which the entire country of Mexico is officially free of CSF. The disease has limited the ability of Mexico to export not only live hogs, but also for products to foreign markets. Despite SAGARPA declaration of Mexico as free of CSF, the U.S. continues to work with Mexico to provide U.S. recognition of this status.

Marketing

The U.S livestock, beef and pork exporters, new to the Mexican market, are encouraged to contact both the U.S Meat Export Federation and FAS's Agricultural Trade office in Mexico City.

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CHAD RUSSELL, REGIONAL DIRECTOR

OTHER RELEVANT REPORTS

MX9004: Poultry and Products Semi Annual Report

MX8057: Poultry and Products Annual Report
http://www.fas.usda.gov/gainfiles/200809/146295692.pdf

MX8052: Livestock and Products Annual
http://www.fas.usda.gov/gainfiles/200810/146296082.pdf

MX8072: October Update on Grain & Feed
http://www.fas.usda.gov/gainfiles/200810/146306303.pdf

MX8075: Mexico Announces Support Program for Sinaloa White Corn 2008
http://www.fas.usda.gov/gainfiles/200811/146306401.pdf

MX8080: Trade Policy Monitoring Annual
http://intranetapps/GainFiles/200812/146306629.pdf

MX9007: Mexico Grain and Feed Annual Report
http://www.fas.usda.gov/gainfiles/200903/146327454.pdf

MX9009: Mexico Announces Three States as Free of Classical Swine Fever
http://www.fas.usda.gov/gainfiles/200903/146337552.pdf